

**MILWAUKEE COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT COMMITTEE AGENDA**

The meeting will be held on Thursday, January 3, 2008 at 2:30 p.m. in Room **203 P** of the Milwaukee County Courthouse at 901 North 9th Street, Milwaukee, WI 53233.

PLEASE TAKE FURTHER NOTICE, those members of the Pension Board who are not members of the above Committee may attend this meeting to gather information about a subject over which they have decision-making responsibility. Therefore, notice is hereby given that the above meeting may constitute a meeting of the Pension Board, and must be noticed as such.

1. Call to Order
2. Roll Call
3. Mid-cap Manager search to replace Hotchkis & Wiley
4. Securities Lending practices
5. Adjournment

Dave Arena
Director of Employee Benefits

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
INVESTMENT COMMITTEE MEETING
MINUTES OF JANUARY 3, 2008

1. **Call to Order**

Chairman Sarah Peck called the meeting to order at 2:35 p.m. in Room 203-R of the Milwaukee County Courthouse, 901 N. 9th St., Milwaukee, Wisconsin 53233.

2. **Roll Call**

Members Present:

Sarah Peck, Chairman
Dean Roepke
Linda Bedford

Others Present:

Mark Grady, Principal Assistant Corporation Counsel
David Arena, Director of Employee Benefits, DAS
Gerry Schroeder, ERS Interim Manager
Kristin Finney-Cooke, Mercer Investment Consulting Inc. (by phone)
Patrick Silvestri, Mercer Investment Consulting Inc. (by phone)

3. **Mid-cap value managers to replace Hotchkis and Wiley**

The Committee reviewed and discussed the detailed report prepared by Mercer regarding the four firms recommended by Mercer at the last committee meeting: Ark Asset, Artisan, Barrow, Hanley, Mewhinney & Strauff (BHMS) and Wedge. All four are A or A- rated managers.

Ms. Finney-Cooke stated that Mercer was comfortable with the size of the strategy for all four firms. ERS would not be a majority of any the firm's strategies and none of them was too large to be illiquid; that is, over \$8 – 9 billion. She stated that all are listed as fundamental style managers, but that Ark and Wedge use some quantitative models in their process. Mercer believes that Wedge's process provides them with a competitive advantage. She also noted that the overall ERS fund has primarily fundamental style managers (where not indexed) and therefore a manager with some quantitative process provides some helpful diversification in style. She noted that Wedge is a little more concentrated than the others, but that

Mercer did not believe it was too concentrated to create problems similar to those of Ariel, in a different strategy.

She noted that Artisan takes more sector bets and thus will not track the benchmark of the Russell Mid-Cap Value Index. Mr. Silvestri noted that Artisan's appearance of taking sector bets is actually a function of its stock selection and not a top-down macro analysis. He also noted that Artisan uses the Russell Mid-Cap Core Index as its internal benchmark.

Ms. Finney-Cooke noted that Wedge had less risk in its strategy than Artisan, but lower long-term performance than Artisan.

She stated that the fees were comparable given the \$28 million size of ERS's intended investment, with only a \$30,000.00 difference from the highest to the lowest. She stated that the difference in fees was not significant enough to be a determinative factor given the overall size of the ERS fund and the performance expected, with the possible exception (unknown at present) that Artisan might provide a fee reduction for handling a second strategy within the ERS fund.

Ms. Finney-Cooke and Mr. Silvestri stated that Artisan and Wedge were the two firms that Mercer would recommend for further due diligence. The recommendation was based on their consistency of performance over time and their tracking error in conjunction with their reward-to-risk ratio; that is, where they were obtaining that performance. Both firms have outperformed the others over time with less risk. Over a five year period, Artisan has outperformed the others and the benchmark with less risk while Wedge has had a slightly lower out-performance, but with even less risk. Artisan has beat its benchmark every quarter over that period and has been in the top quartile during 70% of the quarters.

In response to questions from Ms. Peck and Mr. Roepke, Mercer stated it believes that active management is appropriate for this allocation and will result in excess return after fees in comparison to index funds.

In response to comments from Ms. Bedford, the committee discussed the fact that Artisan is a locally headquartered firm (although this strategy is managed in Atlanta) and whether that fact merited consideration.

The committee concluded by unanimously agreeing to recommend to the Pension Board that further due diligence be done only on Artisan and Wedge.

4. **Securities Lending practices**

As the Committee had requested, Mercer did provide recommendations for changes to the RFP for custodial services that were incorporated in the final draft that has been issued.

5. **Adjournment.**

The meeting was adjourned at 3:45 p.m.

Submitted by Mark A. Grady

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE

**MINUTES OF THE JANUARY 24, 2008 BUDGET, AUDIT AND COMPLIANCE COMMITTEE
MEETING**

1. **Call to Order**

Chairman John Parish called the meeting to order at 3:10 p.m. in the 3rd Floor Conference Room of the City Campus Offices of Milwaukee County at 2711 West Wells Street, Milwaukee, Wisconsin 53208.

2. **Roll Call**

Members Present:

John Parish, Chairman
Dr. Dean Roepke

Members Excused:

Thomas Weber

Others Present:

Gerald Schroeder, Interim ERS Manager
Steven Huff, Reinhart Boerner Van Deuren s.c.

3. **Virchow Krause & Company – 2007/2008 ERS Audit**

Mr. Schroeder reported that he met with the auditing firm, Virchow Krause & Company, during the prior week to discuss the annual ERS financial audit. He stated that Virchow Krause will conduct its annual audit of ERS in April and that the audit is anticipated to take between two and three weeks. Mr. Schroeder noted that there are new audit guidelines this year. He indicated that the auditor will audit the retirement files of 60 ERS members to determine whether the Retirement Office has followed the Milwaukee County General Ordinances and ERS Rules when processing retirement applications and benefit payments. Mr. Schroeder stated that he will prepare the ERS narrative and corresponding flowcharts for the auditors. He noted that Mr. Mueller will provide guidance to the auditors on the check issuance process and the investments portion of the audit. Mr. Schroeder detailed to the Committee how ERS will be evaluated by Virchow Krause.

4. **Filing for Determination Letters With the Internal Revenue Service**

Mr. Huff stated that ERS and OBRA are "Cycle C" filers under the Internal Revenue Service's rolling five-year determination letter program. Accordingly, the ERS and OBRA determination letter applications must be filed by January 31, 2009. He indicated that the County Board of Supervisors should adopt ERS and OBRA Ordinance amendments prior to submitting the determination letter applications to the IRS.

5. **Employee and Retiree Member Election Rules**

The Audit Committee discussed whether an election should be held in the event one candidate runs unopposed for a Pension Board member position. The Audit Committee decided to hold final elections for both the upcoming special election, in which the sole candidate is unopposed, and the upcoming regular election, which has two candidates. The Audit Committee also discussed amending Rules 1020 and 1034 to provide that no election shall be held when a candidate runs unopposed. Mr. Parish suggested that in the event a candidate runs unopposed in a special election, that candidate could be certified as the winner of the Pension Board member position at the closing of the nomination submission period and begin serving as a Pension Board member at the next Pension Board meeting. The Committee decided to raise these issues for consideration by the Pension Board at its next meeting.

6. **Investment Custodian RFP**

The Audit Committee discussed the steps necessary to publish notice of the issuance of the Investment Custodian RFP.

7. **Future Reports to the Pension Board**

Dr. Roepke stated that status reports should be presented to the Audit Committee by the May 2008 meeting on the progress of the drafting of Vitech business procedures, the formation of a Retirement Office procedures manual and the creation of an ERS benefits booklet.

8. **Adjournment**

The meeting adjourned at 4:00 p.m.

Submitted by Steven D. Huff,
Secretary of the Pension Board

Gerald J Schroeder/Human
Resources/Milwaukee County

To Vivian Aikin/Human Resources/Milwaukee
County@MILWCO, mwalker2@milwcnty.com

cc

02/26/2008 11:33 AM

bcc

Subject Board and Committee(s): 2008 Agenda

It looks like we've finally updated the website for 2007 Board and Committee(s) - Agenda & Minutes.
Now, we need to get updated for this year. We need to find and POST the following:

2008

	<u>Agenda</u>	<u>Minutes</u>
Board:	January OK February OK	January February
Investment:	January	January
Audit:	January OK February (Cancelled)	January February (Cancelled)

approved March

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